

September 21, 2004

Robert M. Konop, Esq.  
Vice President and Associate General Counsel  
CUNA Mutual Group  
P.O. Box 1084  
Madison, WI 53701-1084

Re: Multiple Credit Unions Sharing Single Fidelity Bond.

Dear Mr. Konop:

You have asked if a credit union service organization (CUSO) that provides management services for several credit unions may purchase a single fidelity bond that names all its credit unions as insureds. No, our regulations require that each federally insured credit union must be insured under its own individual bond.

You have indicated that none of the credit unions managed by the CUSO has any employees of its own, but that each credit union maintains its own corporate identity. The CUSO proposes to purchase a single fidelity bond, with coverage in excess of the mandatory limits for any one of its managed credit unions, but which names all of the credit unions as insureds under the single bond.

NCUA rules require that a federal credit union must obtain bond coverage in an individual policy. 12 C.F.R. §713.3(a). Part 713 of our rules applies to federally insured credit unions as well. 12 C.F.R. §741.201. As noted in the preamble to the final Part 713 rulemaking, the principal reason for not permitting a credit union's bond to cover additional insureds is to ensure that the coverage of the other insureds does not conflict with or in any way dilute the individual credit union's required coverage. 64 Fed.Reg. 28718, 28719 (May 27, 1999). The restriction on additional insureds prevents a claim against an additional insured from exhausting the single and aggregate loss limits on the credit union's minimum required coverage. 12 C.F.R. §713.5(a) and (d).

Sincerely,

/S/

Sheila A. Albin  
Associate General Counsel

GC/RPK:bhs  
04-0744